

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6941

BILL NUMBER: HB 1779

NOTE PREPARED: Feb 1, 2005

BILL AMENDED:

SUBJECT: Public Pension Investment Options.

FIRST AUTHOR: Rep. Buell

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill permits members of the Teachers' Retirement Fund (TRF) and the Public Employees' Retirement Fund (PERF) to change investment selections once each day, with the change being effective on the next business day after the fund receives the change notice. It reduces the investment allocation increment from 10% to 1%. The bill establishes the market valuation date of a member's investment as of the day before the date of the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal.

Explanation of State Expenditures: *Teachers' Retirement Fund:* TRF has estimated the annual ongoing expenditures at \$25 per participant, or approximately \$3.6 M for about 144,000 members. This includes the start-up expenditures. The \$25 annual fee per account estimate would cover daily accounting, making changes (by phone and/or the web), production of monthly statements, as well as set-up and coordination with TRF staff, daily pricing agent (Northern Trust), and internal technology platform. The \$25 will be charged against each member's annuity savings account.

Public Employees' Retirement Fund: The estimates for PERF range between \$24.50 and \$29.10 per participant, or a total of approximately \$5.8 M to \$6.9 M, for approximately 236,500 members. The \$24.50 estimate contemplates continuing the current process of the employers submitting PERF contributions on a quarterly basis. The \$29.10 estimate is based on each employer submitting contributions immediately upon conclusion of each payroll period. This amount will be charged against each member's annuity savings account.

PERF also estimates an increase of \$89,000 in annual management fees would occur to implement this proposal. PERF estimates that moving to daily valuation of the annuity savings account will result in an

increase of the S&P 500 Index Fund from the current 0.01% of a member's assets invested in the fund to 0.05% of invested assets. PERF also said that the International Equity Index Fund will result in an increase in investment management fees from the current 0.09% of assets in the fund to 0.18%. The additional expenditures associated with these increases are \$76,000 for the S&P Index Fund and \$13,000 for the International Equity Index Fund. These increases will be deducted from the investment returns credited to each individual annuity savings account balance.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Teachers' Retirement Fund.

Local Agencies Affected: Local units with members in PERF and local school corporations.

Information Sources: Robert Newland, Chief Investment Officer for TRF, 317-232-3868; William Christopher, Director of TRF, 317-232-3869; Bruce Kimery, Acting Executive Director, PERF, 317-233-4133.

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